



THE ROYAL BANK OF CANADA

NOTICE OF THE ANNUAL MEETING OF SHAREHOLDERS AND MANAGEMENT PROXY CIRCULAR



THE ROYAL BANK OF CANADA

NOTICE OF THE ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN THAT the Annual Meeting of Shareholders of The Royal Bank of Canada will be held at the Head Office of the Bank, 1 Place Ville-Marie in Montreal, Quebec, Canada on Thursday, the 12th day of January 1984 at 11 o'clock in the forenoon for the following purposes:

- (1) to receive the Report of the Directors and the Financial Statements of the Bank for the year ended October 31, 1983, and the Auditors' Report thereon,
- (2) to elect Directors,
- (3) to appoint Auditors,
- (4) to fix the Auditors' remuneration,
- (5) to transact such other business as may properly be brought before the meeting.

Montreal, December 6, 1983

BY ORDER OF THE BOARD

R.J. MOORES

Vice-President and Secretary

IMPORTANT

Shareholders who are unable to be present at the meeting are requested to sign and return the enclosed Form of Proxy in the envelope provided for that purpose. Proxies must be received at the Montreal office of the Transfer Agent at least 48 hours prior to the meeting.

MANAGEMENT PROXY CIRCULAR

(as of November 7, 1983)

Solicitation of Proxies

THIS MANAGEMENT PROXY CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION BY THE MANAGEMENT OF THE ROYAL BANK OF CANADA (THE "BANK") OF PROXIES FOR USE AT THE ANNUAL MEETING OF THE SHAREHOLDERS OF THE BANK TO BE HELD ON THE 12TH DAY OF JANUARY 1984 AT THE PLACE AND FOR THE PURPOSES SET FORTH IN THE NOTICE OF MEETING ACCOMPANYING THIS MANAGEMENT PROXY CIRCULAR. The cost of solicitation will be borne by the Bank. The solicitation will be primarily by mail. However, the Directors, officers and regular employees of the Bank may also solicit proxies by telephone, telegram or in person.

Voting Shares and Principal Holders Thereof

On November 7, 1983, the Bank had outstanding 88,161,575 Common Shares. Subject to the provisions of the Bank Act, Shareholders as at December 5, 1983 are entitled to one vote for each such share held. Shareholders who acquire their shares subsequent to December 5, 1983 may acquire voting rights provided they request the Bank not later than 10 days before the meeting to add their name to the voters' list.

To the knowledge of the Directors and Officers of the Bank, no Shareholder was the beneficial owner of record on November 7, 1983 of more than 10% of the outstanding common shares of the Bank.

Voting Restrictions

Under the provisions of the Bank Act, the voting rights pertaining to a share of the capital stock of the Bank may not be exercised if

- (a) the Shareholder is a resident of Canada who holds the share in the right of, or for the use or benefit of, a non-resident;
- (b) the Shareholder holds the share in the name or right of, or for the use or benefit of, the government of Canada or of a province, or an agent thereof (including an official, trustee or corporation administering, managing or investing a fund established to provide compensation, hospitalization, medical care, annuity, pension or similar benefits to particular classes of individuals, or moneys derived from such a fund), or the government of a foreign state or political subdivision, or an agent thereof;
- (c) the share is held in the name or right of, or for the use or benefit of, a person and the total number of shares held by or for that person, or that person and other persons deemed to be associated with him, exceeds 10% of the outstanding shares of the Bank; (a holder of 5,000 shares or less is assumed not to be associated with any other Shareholder); or
- (d) the share is held by or on behalf of a guarantee fund or pension fund to which a bank or a Quebec savings bank is a contributor.

In certain cases, voting rights may be exercised notwithstanding the restrictions referred to above.

The foregoing is a summary only. A copy of the relevant sections of the Bank Act will be forwarded to any Shareholder upon request made to the Secretary of the Bank at the Bank's Head Office.

Appointments and Revocation of Proxies

The persons named in the enclosed Form of Proxy are Directors and Officers of the Bank. SHAREHOLDERS DESIRING TO APPOINT SOME OTHER PERSON TO REPRESENT THEM AT THE MEETING MAY DO SO (see Note 3 on the Form of Proxy), either by inserting such person's name in the blank space provided in the Form of Proxy and deleting the names printed thereon or by completing another proper Form of Proxy and, in either case, delivering the completed Proxy to the Transfer Agent of the Bank at least 48 hours prior to the meeting.

A Shareholder who signs and returns the enclosed Form of Proxy may revoke it at any time before it is acted upon by depositing written notification at the Head Office of the Bank not later than the last business day preceding the day of the meeting or with the Chairman of the meeting on the day of the meeting or an adjournment thereof.

Exercise of Discretion by Proxy

The shares represented by any Proxy in the form enclosed herewith and appointing the persons designated thereon or any of them to represent the Shareholder at the meeting will be voted in accordance with the specifications given by the Shareholder. IN THE ABSENCE OF ANY CONTRARY INSTRUCTION, THE SHARES REPRESENTED BY PROXIES RECEIVED BY MANAGEMENT WILL BE VOTED ON ANY BALLOT WHICH MAY BE HELD "FOR" THE ELECTION OF THE MANAGEMENT NOMINEES FOR DIRECTORS, "FOR" THE APPOINTMENT OF THE AUDITORS NAMED HEREIN, "FOR" THE FIXING OF THE REMUNERATION OF SUCH AUDITORS, AND "FOR" THE MANAGEMENT PROPOSALS GENERALLY.

The enclosed Form of Proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting. As at the date hereof, Management is not aware that any other matter is to be presented for action at the meeting. If, however, other matters properly come before the meeting, the persons designated in the enclosed Form of Proxy will vote thereon in accordance with their judgement pursuant to the discretionary authority conferred by the Proxy with respect to such matters.

A simple majority of the votes cast at a meeting, whether by Proxy or otherwise, will constitute approval of any matter submitted to a vote at the meeting.

Election of Directors

The Board consists of a minimum of 20 and a maximum of 50 Directors, who are required to be elected annually. The persons named on the enclosed Form of Proxy intend to vote for the election of the nominees whose names are set forth below and who are now Directors. Each Director will be elected to hold office until the next Annual Meeting of Shareholders or until such office is earlier vacated.

The Board of Directors does not have an executive committee. DIRECTORS WHO ARE MEMBERS OF THE AUDIT COMMITTEE ARE SO DESIGNATED. The undernoted table sets forth the names of the persons proposed to be nominated for election as Directors together with their principal occupation, the year in which they became Directors of the Bank and the number of shares beneficially owned, directly or indirectly, or over which control or direction is exercised as of the date hereof.

Additionally, as required by the Bank Act, set out below is a summary of the record of attendance by Directors at Board, Regional and Director Committee meetings during the 12 months ended October 31, 1983. During this period, 12 Board meetings were held: Montreal (7), Toronto (4), Saskatoon (1). Committees of the Board held meetings as follows: Audit (4), Loan Policy (23), Nominating (1), Personnel & Compensation (5), Public Policy (3). Regional Director Committees held meetings as follows: Atlantic (29), Quebec (12), Ontario (12), Manitoba (12), Saskatchewan (9), Alberta (12), British Columbia (12), New York (12), Latin America and Caribbean (6), London, England (10).

Name & Principal Occupation	Address	Director Since	Shares of the Bank Beneficially Owned*		No. of Meetings Attended	
			Common	Pref'd	Board	Committees
John Anderson President & Chief Executive Officer Westcoast Transmission Co. Ltd. (Natural gas processing & pipelining)	Vancouver, B.C.	Dec. 7, 1982	1,000	—	10	11
John A. Armstrong Company Director	Toronto, Ontario	June 26, 1974	2,824	—	10	15
Ian A. Barclay Chairman British Columbia Forest Products Limited (Mfrs. pulp, paper & wood products) (Member Audit Committee)	Vancouver, B.C.	April 3, 1973	6,526	—	9	11
T.J. Bell, M.C., C.D., LL.D. Chairman of the Executive Committee Abitibi-Price Inc. (Mfrs. newsprint & pulp and paper products)	Toronto, Ontario	Jan. 12, 1967	8,655	—	7	10
G.H. Blumenauer Chairman and Chief Executive Officer Otis Elevator Company Limited (Mfrs. of elevators) (Member Audit Committee)	Hamilton, Ontario	Dec. 2, 1969	6,190	—	11	14
G. Allan Burton, D.S.O., E.D., LL.D. Company Director (Member Audit Committee)	Toronto, Ontario	Oct. 20, 1964	15,310	—	12	14
R.B. Cameron, O.C., D.S.O. Chairman Cameron Corporation Limited (Holding company) (Member Audit Committee)	New Glasgow, N.S.	Feb. 27, 1973	50,012	—	8	9
Frank B. Common, Jr., Q.C. Partner Ogilvy, Renault (Barristers & solicitors) (Director, Royal Bank Realty, Inc., RoyLease Ltd.)	Montreal, Quebec	March 19, 1974	6,186	—	12	33

Name & Principal Occupation	Address	Director Since	Shares of the Bank Beneficially Owned*		No. of Meetings Attended	
			Common	Pref'd	Board	Committees
Camille A. Dagenais Chairman The SNC Group (Misc. services, planning & design)	Montreal, Quebec	April 11, 1978	6,876	—	7	10
Mrs. Mitzi S. Dobrin Exec. Vice-President Legal & Corporate Affairs Steinberg Inc. (Retail supermarkets)	Montreal, Quebec	Nov. 30, 1976	8,517	—	6	7
Sir Alastair Down, O.B.E., M.C., T.D. Former Chairman The Burmah Oil Public Limited Company (Oil Based Industrial Enterprise)	Wiltshire, England	July 7, 1981	—	—	4	10
G. Campbell Eaton, O.C., M.C., C.D., LL.D. Managing Director Newfoundland Tractor & Equipment CO., Ltd. (Sales of tractors & mechanical equipment)	St. John's, Newfoundland	Sept. 9, 1976	3,250	750 (1st "B")	10	26
Jock K. Finlayson Chairman Royal Insurance Company of Canada (Insurance).	Toronto, Ontario	April 7, 1970	4,494	750 (1st "B")	12	8
Rowland C. Frazee Chairman and Chief Executive Officer The Royal Bank of Canada (Chairman & Director, Royal Bank Realty Inc.; President & Director, Canadian Realty Corp. Ltd.)	Montreal, Quebec	Feb. 28, 1973	6,349	—	11	28
W.D.H. Gardiner President W.D.H.G. Financial Associates Ltd. (Consultants)	Vancouver, B.C.	Feb. 28, 1973	6,186	—	11	9
D.R. Getty President D. Getty Investments Ltd. (Holding company)	Edmonton, Alta.	Feb. 27, 1980	1,630	5,000 (1st "B") 4,500 (CSW)	9	10
Charles H. Knight President and Chief Executive Officer Denro Holdings Ltd. (Land Development) (Held this or other executive positions with company during past 5 years)	Regina, Sask.	Feb. 1, 1983	1,000	1,000 (1st "B")	7	8
Walter F. Light Chairman and Chief Executive Officer Northern Telecom Limited (Mfrs. of telephone equipment, wire & cable)	Mississauga, Ontario	July 11, 1978	5,000	500 (2nd Pfd)	10	16
Tong Louie President and Chief Executive Officer H.Y. Louie Co. Limited (Wholesale Food Distributors)	Vancouver, B.C.	May 31, 1979	5,600	200 (2nd Pfd) 500 (1st "B")	12	20
P.L.P. Macdonnell, C.M., Q.C. Partner Milner & Steer (Barristers & solicitors)	Edmonton, Alta.	June 4, 1968	7,582	900 (2nd Pfd)	6	22

Name & Principal Occupation	Address	Director Since	Shares of the Bank Beneficially Owned*		No. of Meetings Attended	
			Common	Pref'd	Board	Committees
J.D. MacLennan Chairman Canadian Dredge and Dock Co. Ltd. (Dredging company)	Vancouver, B.C.	Sept. 6, 1979	2,524	—	11	31
Clifford S. Malone Vice Chairman United Corporations Limited (Investment Co.)	Toronto, Ontario	May 20, 1975	5,000	1,000 (1st "B") 500 (CSW)	12	29
J. Pierre Maurer Executive Vice-President Metropolitan Life Insurance Company (Life insurance company)	New York, N.Y.	April 23, 1975	5,996	—	12	14
John R. McCaig Chairman and Chief Executive Officer Trimac Limited (Energy & Transportation Services)	Calgary, Alta.	May 29, 1980	5,600	—	10	7
D.K. McIvor Chairman & Chief Executive Officer Imperial Oil Ltd. (Integrated Petroleum Co.)	Toronto Ontario	Dec. 7, 1982	210	—	10	6
Mrs. Dawn R. McKeag President Walford Investments Ltd. (Holding company)	Winnipeg, Man.	Mar. 1, 1978	8,813	200 (1st "B")	12	14
W. Earle McLaughlin Former Chairman of the Board The Royal Bank of Canada	Montreal, Quebec	Dec. 19 1960	9,093	—	12	28
J. William E. Mingo, Q.C. Barrister Stewart MacKeen & Covert (Barristers & solicitors) (Held this position during the past 5 years)	Halifax, N.S.	April 5, 1983	—	—	5	5
Pierre A. Nadeau Chairman of the Board Tioxide Canada Inc. (Chemicals) (Director, Royal Bank Realty Inc., RoyLease Ltd.)	Montreal, Quebec	Oct. 2, 1973	7,214	—	11	13
Paul Paré Chairman and Chief Executive Officer Imasco Limited (Holding company)	Montreal, Quebec	Nov. 10 1970	1,232	—	7	4
Neil F. Phillips, Q.C. Partner Phillips & Vineberg (Barristers & solicitors) (Member Audit Committee)	Montreal, Quebec	Feb. 1, 1972	1,836	10,000 (2nd Pfd)	9	10
Herbert C. Pinder President Saskatoon Trading Company Limited (Property holding company) (Member Audit Committee)	Saskatoon, Sask.	June 5, 1970	7,031	—	10	9

Name & Principal Occupation	Address	Director Since	Shares of the Bank Beneficially Owned*		No. of Meetings Attended	
			Common	Pref'd	Board	Committees
Claude Pratte, Q.C. Advocate	Quebec, Quebec	May 9, 1967	6,186	—	11	10
L. Merrill Rasmussen President and Chief Executive Officer Husky Oil Company (Integrated petroleum company)	Englewood, Colorado	June 1, 1978	6,000	—	9	12
Charles I. Rathgeb Chairman Comstock International Ltd. (Construction & mechanic equipment)	Toronto, Ontario	Dec. 1, 1970	24,750	—	9	11
A.M. Runciman Company Director	Winnipeg, Man.	Feb. 25, 1976	6,000	—	12	34
Allan R. Taylor President & Chief Operating Officer The Royal Bank of Canada (Held this and other executive positions with the Bank during the past 5 years)	Toronto, Ontario	June 7, 1983	2,500	—	4	12
P.N. Thomson Chairman & President West Indies Power Corp. Ltd. (Utility company) (Director — Royal Bank of Canada International Ltd., RoyCan International Banking Ltd., Royal Bank of Canada Bahamas Ltd.)	New Providence, Bahamas	Jan. 9, 1964	6,581	—	11	38
John A. Tory, Q.C. President The Thomson Corporation Limited (Publishing and Holding Company)	Toronto, Ontario	Mar. 10, 1971	9,768	5,000 (2nd Pfd)	9	13
W.O. Twaits, C.C. Company Director Vice President — The Royal Bank of Canada	Toronto, Ontario	Jan. 12, 1961	6,180	—	11	31
R.A. Utting Vice-Chairman The Royal Bank of Canada (Vice-President & Director, Canadian Realty Corp. Ltd., Royal Bank Realty Inc.; Chairman & Director, RoyLease Ltd., Royal Bank Mortgage Corp.; Director, RoyNat Ltd., RoyNat Guarantee Corp.)	Montreal, Quebec	May 29, 1980	13,225	8,000 (2nd Pfd) 10,000 (1st "B")	12	29
W.P. Wilder Deputy Chairman Hiram Walker Resources Ltd. (Holding company)	Toronto, Ontario	Sept. 9, 1980	20,000	—	10	13
C.N. Woodward Chairman of the Board and Chief Executive Officer Woodward Stores Limited (Holding company)	Vancouver, B.C.	Jan. 12, 1961	500	—	8	11

Name & Principal Occupation	Address	Director Since	Shares of the Bank Beneficially Owned*		No. of Meetings Attended	
			Common	Pref'd	Board	Committees
H.E. Wyatt Vice-Chairman The Royal Bank of Canada	Calgary, Alta.	Mar. 21, 1978	4,044	250 (1st "B")	10	23

*Includes shares over which control or direction is exercised by the person named even in those cases when beneficial ownership of some or all of the shares is disclaimed.

Directors during fiscal 1983 who are not standing for re-election on January 12, 1984 attended meetings as follows:

D.S. Anderson	Board (11)	Committee (11)
F.C. Mannix	Board (5)	Committee (5)
Ian D. Sinclair	Board (12)	Committee (15)

Directors' and Officers' Remuneration

During the fiscal year ended October 31, 1983, the aggregate remuneration paid by the Bank and subsidiaries to its Directors and Senior officers was as shown in the table below:

	Directors' Fees	Salaries	Bonuses	Other (Note 1)	Total
Remuneration of Directors					
A) No. of Directors: 47					
B) Corporation incurring the expense					
The Royal Bank of Canada	\$ 768,750				\$ 768,750
Royal Bank & Trust Co.	US9,300				US9,300
RoyCan International Banking Ltd.	US1,000				US1,000
Royal Bank of Canada Int'l Ltd.	US3,600				US3,600
RBC Bahamas Ltd.	US1,000				US1,000
Royal Bank Realty Inc.	7,500				7,500
RoyLease Ltd.	6,500				6,500
RBC Finance B.V.	16,160				16,160
RBC Holdings B.V.	12,120				12,120
RBC Houdstermaatschappij B.V.	4,040				4,040
Remuneration of Officers					
(Officers receiving over \$75,000)					
A) No. of Officers: 168					
B) Corporation incurring the expense					
The Royal Bank of Canada	47,500	15,877,535	1,387,556	1,775,161	19,087,752
Totals	\$ US 14,900 \$ CAN 862,570	15,877,535	1,387,556	1,775,161	US14,900 19,902,822

Note 1 — Aggregate cost of the Bank's contributions to the pension programs of reporting officers (\$277,200), benefits under Executive Automobile Leasing Program (\$841,090) and benefits other than salaries to officers on assignments at overseas locations (\$656,871).

Indebtedness of Directors

Except as stated hereunder, none of the Bank's Directors, or proposed nominees for election as Directors, were indebted to the Bank or any of its subsidiaries during the year ended October 31, 1983 other than for such loans as are excluded from report-

ing by the Form of Proxy regulations. The undernoted are also senior officers or former senior officers of the Bank and as such received loans to assist in the acquisition of housing or Bank shares or for personal requirements.

Name & Address	Max. Indebtedness Year Ended October 31, 1983	Balance O/S November 7, 1983	Interest Rate
J.K. Finlayson Toronto, Ontario	\$ 38,335	\$ 35,930	3%
R.C. Frazee Montreal, Quebec	133,892	97,422	3%
W.D.H. Gardiner Vancouver, B.C.	42,500	31,350	3%
A.R. Taylor Toronto, Ontario	81,610	81,344	3%
R.A. Utting Montreal, Quebec	322,652	310,652	3%
H.E. Wyatt Calgary, Alberta	33,356	28,287	3%

Interest of Insiders in Material Transactions

Since the commencement of the Bank's last completed financial year, the Bank has not entered into any transaction with any present, contemplated or proposed director or with any proposed management nominee for election as a director or with any officer or any associate of or any corporation controlled by any such director or officer, nor does it propose to enter into any such transaction that has materially affected or will materially affect the Bank or any of its subsidiaries.

Legal Proceedings

An Action was instituted against the Bank in Los Angeles, California on September 19, 1983 claiming US\$5.4 million general damages and US\$205 million as loss of profits based on allegations that the Bank aborted the acquisition, enlargement and redevelopment of a downtown commercial property by refusing to advance the US\$17 million balance of a \$20 million financing commitment. Management of the Bank denies any such commitment and believes that it has a good defence to the inflated claim. In any event it is not expected that any damages awarded would be significant in relation to the overall position of the Bank.

On October 20, 1983 an action was lodged in the US Federal Court of northern West Virginia against the Bank and 31 co-defendants consisting of the trustee and members of the creditors' committee of a corporate bankrupt and the agents and employees of the trustee and the creditors' committee. The Bank is a member of the creditors' committee. The unrelated corporate, and the two individual, Plaintiffs allege defamation and injury to commercial standing by the co-defendants in an over-zealous pursuit of assets and receivables of the bankrupt corporation and claim damages of the US\$280 million. On the basis of information provided by the Bank and its employees, the Bank's counsel is of the view that there is no liability on the part of the Bank and that in any event the damages claimed are grossly exaggerated.

Directors and Officers Liability Insurance

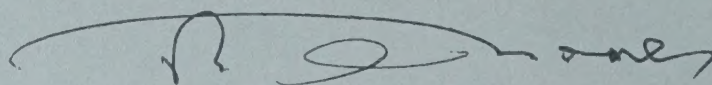
The Bank has purchased at its expense group liability insurance in the amount of \$50,000,000.00 for its protection and for the protection of its Directors and Officers against liability incurred by them in their capacities as Directors and Officers of the Bank. During fiscal 1983, in respect of policy year from December 28, 1982 to December 28, 1983, the Bank paid a premium of \$45,716 of which \$2,286 was in respect to the Directors as a group and \$2,286 in respect of the Officers as a group. In any case in which the Bank is not permitted by law to reimburse the Director or Officer, the deductible is \$5,000 per person with an aggregate of \$10,000 per claim. Where the Bank is permitted to reimburse the Director or Officer, the deductible is \$200,000.

Appointment of Auditors

The firms and/or members thereof of Deloitte, Haskins & Sells, Touche Ross & Co. and Price Waterhouse have held appointments on a rotating basis as required by the Bank Act as auditors of the Bank during the five financial years ended October 31, 1983. The persons named in the enclosed Form of Proxy intend to vote for the re-appointment of Touche, Ross & Co. and the appointment of Price Waterhouse, who last served in 1981, as Auditors of the Bank until the Annual Meeting of Shareholders to be held in 1985 and to fix their remuneration at a sum not to exceed \$520,000 to be divided among them.

Directors' Approval

The Board of Directors of the Bank have approved the content and sending of this Management Proxy Circular.



R.J. Moores
Vice-President and Secretary



PROCEEDINGS
OF THE
115th

ANNUAL MEETING
OF SHAREHOLDERS

THE ROYAL BANK
OF CANADA

Thursday, January 12, 1984



Rowland C. Frazee

The Chairman and Chief Executive Officer's Address: The 1984 Economy: Prospects for Prosperity

Thanks to George Orwell's book "Nineteen Eighty-Four", this year is being seen by some as having a special significance.

But George Orwell was not, of course, writing about a specific year.

His book is about a condition of society: in Orwell's words, about "the perversions to which a centralized economy is liable". He wrote it after living through the turbulent, devastating decades of the thirties and forties, after observing dictatorships of Fascism and Communism and, of course, after the most destructive war the world had ever known. He used the book to pose disquieting questions about where society was headed and to portray the possible consequences of contemporary political trends, as he saw them.

What he warned against in the book did not, fortunately, happen; but perhaps it is timely to pose similar but economic questions as we begin the *year* 1984.

Where *are* we going as a nation? Or as a national economy? We are emerging from a devastating recession; technology is making many conventional aspects of our lives obsolete. Not all Canadians are benefiting from recovery. We made many mistakes over the last decades. Are we doomed to repeat them over the next? What should government policy — fiscal, monetary, trade — look like? How should the private sector conduct itself?

For many individuals, corporations and governments, the past few years have been a struggle for survival — a day-by-day effort to manage and outlast crisis. Many of the strategies adopted were successful — but some only bought us time. The important questions now concern the longer-term economic environment and the industrial adjustments we face. What should we be doing about those?

The Reality of Recovery

In the few minutes available to me today I want to deal in general with two economic areas: first, the challenges

for private sector performance; and second, the priorities for public policy.

When I reflect on current economic developments, I have the uncomfortable feeling that many people misunderstand what has been happening. Recovery *is* taking place. There are plenty of encouraging statistics to prove it — job creation, housing starts, inventory levels, retail spending and so on.

But recovery is *not* prosperity; and recovery has *not* been even. We have won some important battles. We have not won the war.

Look at job creation, for example. In the thirteen months ending last December, 413,000 jobs were created. That's not bad. But just over 250,000 new entrants joined the labour force during that period — so we reduced unemployment by only 163,000.

Interest rates have dropped a long way. Prime rate, for example, is down to 11 percent. That's a very attractive figure — in comparison to the 22¾ percent we laboured under in August of 1981. But on its own, 11 percent is nothing to shout about.

Corporate profits are certainly up — by over 50 percent from last year. But what they are up *from* is disastrous lows. The percentage increases are highly misleading. The facts are that 1983 corporate profits were still much less than they were in 1980 — something over \$3 billion less.

I'm not trying to cast a pall of gloom over what are, considering the magnitude of the problems we faced, some very solid accomplishments. But while we can be genuinely pleased about the distance already covered, we need to be realistic over the distance that remains. When more than one million willing and able Canadians are unable to find useful, productive work, recovery clearly has a long way to go.

There is no way of covering that distance quickly or easily. Excessive unemployment is a debilitating and fearsome burden, for the economy as a whole and for the individuals involved. We are obliged to be relentless in searching for improvements.

So far, I think, both government and business have largely been doing the right things. But we haven't yet done enough, for long enough, to be anything other than guardedly optimistic. Full

recovery is by no means assured. Obstacles continue to clutter its path.

Real interest rates are still very high. Many corporations are still struggling with balance sheets. Pressures for protectionism continue to threaten the orderly recovery of international trade. The international debt situation is under control; but it is a fragile and delicate control. The global political situation is tense — and whether Canadian peace initiatives bear fruit or not, those involved are to be applauded for trying.

In economic terms at least, we know what *can* be accomplished. Canadians have proved it over the last two years. The point is that we have to keep on proving it; and I am confident we can and will.

In a speech some months ago, I quoted the observation that experience is the best teacher, and ought to be, considering how much it costs. It is possible to view the discipline of the recession in a positive light. It forced us to take steps that were necessary, but until then not seen as urgent; it imposed a degree of realism on financial behaviour that was long overdue — but the process was painful. As Winston Churchill said on the occasion of his defeat at the end of World War II — thrown out of office by the voters just as he completed an incredible triumph, “If this is a blessing in disguise, it is very well disguised indeed.”

The wake of the recession does offer us a chance to apply the lessons of that “blessing in disguise” to the problems that remain.

Private Sector Priorities

The big lesson business has learned, or re-learned, is the importance of productivity improvements, the need for unrelenting dedication to improved technologies and methods. That now dominates business thinking in a way I frankly have not seen before.

Put it all in one word, and you have a good old-fashioned concern — profit. One of the blessings in disguise brought by the recession is that profit actually appears in danger of becoming respectable. After all, what are the essential features of profit? What happens to it? It gets taxed. It gets invested in productive enterprise. It gets distributed to owners. In their hands, what happens to it? It gets taxed — again. It gets invested

— again. And it gets spent. Profit is useful, all in all.

But that “general catechism for capital” doesn’t fully describe the particular importance of profits right now, in 1984.

The missing feature of the recovery, so far, is strong business capital investment. There has been a substantial rebound in consumer spending, but the big engine, business investment, the driving force of a sustained and sustainable recovery, has yet to move into high gear. Most of the reasons for it are obvious — plenty of unused capacity in existing plants, and continuing uncertainty about interest rates, inflation, and the permanence of the recovery.

But the biggest reason of all is a continuing lack of sufficient profit. In the primary metals industry, for example — steel, copper, aluminum and so on — the entire industry made \$78 million in the third quarter of ’83. That is a long way up from the \$22 million loss the industry posted in the third quarter of ’82 — but a long way down from the roughly \$190 million earned in the third quarter of each of 1981 and 1980. Now in that industry and others, much of that rebound has been used to reduce short-term debt, to restructure balance sheets, and to recover the losses of last year. There is not enough left to justify major new spending. For that to happen, profit levels need to be substantially higher than they are now, in virtually all industrial sectors. We face two major types of spending challenges, if and when profits permit. The first is spending for improved efficiency. I don’t intend to dwell on this point, but maintaining our competitiveness, within Canada and internationally, calls for pervasive and continuous purchase and application of new processes, new methods, new machinery, new techniques. The act of acquiring them creates jobs; the act of applying them creates more. They justify their high, sometimes extremely high cost — but only profits allow business to afford them.

The second area for increased business spending is labour force retraining.

Canada has a million-plus people out of work. As we invest in technology improvements over the next decade, substantial sections of the work force are going to be displaced. In the process, we will create new work, different kinds of

work, calling for different skills. But in the meantime, on top of already too high numbers of unemployed, many people will find that their past training and experience suits them for jobs that are disappearing.

In straight political terms, that means that some Canadians in their own self-interest will see technology as threatening, and will want to slow the process or stop it altogether.

Well, we can't stop it. And even slowing this shift, from existing jobs to new kinds of employment, will merely make us non-competitive internationally, and decrease the available Canadian jobs still further; but the neo-Luddite pressures on governments will be there.

A partial answer is to make sure that business and labour together put in place, as quickly as possible, efficient and effective training programs to create the new skills for new opportunities.

Within this Bank we spend over \$30 million a year on employee education, and that amount is increasing. While it shows up on our books, on any company's books, as an expense, it is in fact an investment in the future of the enterprise.

But the phrase "on-the-job training" does not adequately describe the character and magnitude of the challenges we face. They include questions relating to the design of the entire educational system, from primary school through university; and there certainly will be pressing financial considerations.

We are faced with a sweeping and fundamental social question — how are people to be dealt with, in an environment that is rapidly changing? Should a man or woman essentially be assured lifetime employment — including retraining if and when required? Who will pay for it? What is a corporation's role in that? What is the union's? What is government's?

Job security requires an employer who is viable and profitable; and an employee with current and marketable skills. On-the-job training and retraining is only a partial answer to the challenge of real security of employment. In the longer term, both the responsibility and the capacity of a corporation to address the larger question will be based on its economic results.

Add those two broad demands for capital together — expenditures on new technology and on training people — and you have a compelling argument for the

urgency of continuing to increase profitability in all industrial sectors.

Of course, business is not the only player on the field. As a result of the lessons of the recession, I think businessmen are now aware of two linked concepts. The first is that government policy is of overwhelming importance to business success. The second is that government policy will not achieve it for us. Government may make the sunshine — business makes the hay.

Thus far in my remarks, I have concentrated on hay-making — the priorities I see for the private sector. Now, let us look at the weather forecast — the business climate and the priorities for government in influencing it.

Inflation — No Reason to Relax

Let me start with inflation. Canada has made good progress. The double digit figures are down to well under five percent, the lowest inflation figure in a decade, and that is good. But is it good enough?

Some thirty years ago, at an annual meeting of this Bank, I listened to the then chairman, James Muir, discuss the subject of inflation. The sentence that stuck in my mind was this: "The only acceptable inflation target is zero". It is still true today. Zero may not be achievable — but it is the only valid target. 4.2 percent inflation is acceptable as a way station, a passing statistic en route to the lower figures already achieved by many other industrialized nations. The U.S. inflation rate is 3.2 percent. In Germany the figure is 2.6 percent. In Japan, it is 1.8 percent. Those countries are our competitors. If their inflation performance is better than ours, then by and large their industrial performance will be better than ours — and we can't afford to enlarge an already worrisome gap.

What might government do to further reduce inflation — besides spending restraint? I think a formal commitment to some new version of the government wage and price restraint program "6 and 5" would be both appropriate and welcomed. Call it "4 and 3" or "3 and 2" — the numbers don't matter as much as the direction. Canadian monetary policy, which controls the growth of money and credit, continues on an appropriate course. But monetary policy is not the only weapon. There seems to me

to be no attractive alternative to setting some national targets for wage and price increases — and the targets must be lower, perhaps much lower, than the figures we have managed so far.

This is not a call for some permanent set of controls — rigid bands that would freeze the wage and salary structures and would generate an explosive period of catch-up when unfrozen. The market does need to work; but we also need continued moderation in the rate of increases of wages and prices. That applies particularly in the public sector where market forces do *not* always work. The approach taken by governments, federal and provincial, in their various versions of “6 and 5”, with mandatory compliance in the public sector and voluntary compliance in the private, worked very well and provided commendable and essential leadership. We still need that leadership.

Overall, however, there is no doubt that our inflation performance to date gives reason for satisfaction. There are other areas that do not.

Public Sector Challenges

Canada and the United States face no more pressing question economically than the size and particularly the trend of public sector deficits. I would put special emphasis on the so-called “structural deficits” — the portion that will not vanish with economic recovery.

Let me be blunt. By any standard, the deficits are too big. They are much too big. They need to come down, or come down faster.

The excessively gradual approach to deficit reduction represents a failure to face reality. The reality is this: these deficits must be sharply reduced if we are to create the room for major new business spending. Over the next decade, we have the prospect of very large capital and investment demands — investment that will be good for productivity, good for jobs — good for Canada. I don’t think enough of that spending will happen unless we reduce the deficit much more quickly than now seems likely.

If we want full and vibrant economic recovery and want it sooner rather than later, then we have no choice.

We know about the pressure on interest rates from the deficits. We know the American deficit is keeping the American dollar at too high a value. We

know that distorts trade and encourages protectionism. Finally, we know that at present the Canadian deficit is worse than the U.S. version, in relative terms. I repeat: government in both countries should take new initiatives to reduce their structural deficits.

How? Well, in the United States, a presidentially-appointed task force has spent the last three years identifying possible efficiencies and program improvements. Some are politically controversial — but they add up to something like \$60 *billion* a year. The task force was staffed, directed and run by private sector businessmen, working as volunteers. It is not yet clear if the political courage, the political will, exists to implement those recommendations or at least a major part of them. I hope it does.

In the meantime, we might well consider whether a similar approach would work in Canada. If both our major political parties found it an attractive idea, this Bank would be more than willing to participate, and to lend some of our best and brightest to such an effort.

Another potential area for savings lies not in the administration of programs, but in their basic character. For example, many of our social support efforts are universal. They apply to every Canadian, including many who do not in fact need them. Universality is a near-sacred principle, derived from the admittedly demeaning processes used in the thirties to determine entitlement. Universality may now be outdated. We might be able to target benefit programs better, to ensure more resources go to those who have the greatest need; and, at the same time, realize significant savings.

I do not want to cut Canadian social programs. They are useful. They are needed. I’m proud to be a citizen of a country that has them. But I am in no way proud of a delivery system that is not as lean as it could be; or of benefits going to people who clearly have no need of them.

So I believe there *are* practical, achievable answers to the question “where and what do we cut”. Others, no doubt, can make additional suggestions — and all of us need to support the process as a whole.

The Problem of International Debt

If inadequate profits and excessive fiscal deficits are the two largest domestic problems to be dealt with, internationally

it is the excessive burden of sovereign debt. That burden has been lightened through the interdependent and co-operative efforts of governments, multilateral agencies and the international commercial banks. Those efforts will continue — but so far they have provided only partial solutions.

We need to examine seriously the proposals from a variety of sources for improvement of the international sovereign lending process. In the Royal Bank we are already doing so; and we will be encouraging other banks, through the Institute of International Finance, to do the same. It is not enough to simply continue rescheduling in the hope that the policy discipline imposed by the International Monetary Fund, together with improving global economic conditions, will skate everyone back on side. The delicate stability that has been established needs to be strengthened, so that sovereign borrowers have every chance to return to credit-worthiness. That process will continue to require international co-operation of a high order.

As I emphasized last year, and repeat with even greater conviction now, we live in an economically interdependent world. The Royal will continue to participate fully in both the burdens and benefits of that interdependence.

In summary then — what? Unemployment, profits, technology, retraining, inflation, government deficits, international debt — these are the challenges. Not surprisingly, our enquiry into where we are headed economically and into what policies are needed for the balance of the eighties has produced no radical prescriptions. Economics, like most other areas of human endeavour, is largely evolutionary, rather than revolutionary. We need to build on what we have achieved to date.

There are more reasons than we might have guessed for confidence. The year 1984 has arrived all right, but it is, after all, a far cry from the bleak and oppressive political condition that Orwell foresaw. On the contrary, Canada is blessed with a free society and a vibrant democracy. Whatever its imperfections, this Canadian democracy is the best guarantee that we will never have to face an Orwellian world.

In economic terms, we have been fighting a war for the last two years — and

we have fought well, with vigour, and resourcefulness. We have achieved substantial success.

What we have done already, we can continue. There is every reason to believe we will. On those terms, 1984 is not a dismal harbinger, but a bright opportunity.



Allan R. Taylor

The President & Chief Operating Officer's Address: A Report on the Year's Operations

In the good old days, financial institutions were valued for their durability. There may not seem to be much glamour attached to building a solid capital base, sound lending practices, and a strong and diversified loan portfolio.

But that is bed-rock for a bank. And on those foundations, the Royal Bank has grown and endured for 115 years.

Today, many of us believe that the industrialized world has entered a new economic era. Coming out of the global recession, clearly this must be one of the most demanding decades in Canada's history.

We are now well on our way to recovering the ground lost in the recession. But it will require all our resources — and all our resourcefulness — to ensure we keep moving ahead.

What is true for Canadians is true — and, I might add, necessarily true — for Canada's largest financial institution, the Royal Bank.

Priorities for the '80s

Early last year, a conference of the Royal's most senior officers set out six areas for concentrated effort by the Bank as a whole.

- Quality of Bank assets
- Competitive funding ability
- Business through selective growth
- Productivity
- Electronic banking
- Training and development

Our first three priorities are the traditional "building blocks" of banking: the quality of our assets; our competitive funding ability; and the selective growth of our business. Concentration on these three areas was designed to reinforce our financial "durability" against erosion by the worst recession in 50 years.

Next on our list of priorities was the emphasis on productivity. This doesn't just mean cost-cutting. We wanted a comprehensive improvement in every function of the Bank — and especially in the quality of our service.

We made a separate priority of

building on our competitive edge in electronic banking. As we see it, technology is the instrument of productive change — but only in the hands of qualified, talented, experienced people.

So, last but not least, we set a very high priority on the training and development of our people. Banking is a service business — one-on-one with the customer much of the time. The fact that Royal Bank staff have always been able to give a bit more, and care a bit more, has put our Bank among the world leaders in the financial services industry.

The Environment for Banking

Addressing this Annual Meeting for the first time, I would be glad to have only the best and the brightest picture for you of the progress made in this past year. But it is my responsibility to give you a balanced view of the picture as a whole.

There were many positive elements in the Bank's overall performance in fiscal 1983. Like most other Canadian companies, the Royal is sharing in the benefits of our national economic recovery — just as we shared the struggle through the depths of 1982. So, the environment *has* helped. But a good part of the improvement is the result of solid effort. The effort will continue — and so will the progress.

In the meantime, however, good customers — Canadian businesses, large and small — are still fighting for life after the recession. The same is true on the international side of the Royal's operations. There, last year's increase in non-productive loans and loan losses is symptomatic — in large part — of the problems of our commercial and corporate clients.

In this environment, the quality of our loan portfolio continues to be an overriding priority of the Royal Bank's management. That goes for the quality of our existing business and for the new loans this Bank is in business to make.

Both at home and abroad, we have account officers and teams of senior bankers working full-time, hand-in-hand with company management to turn current problems around. For the larger corporate loans handled by our Special Loans group, Royal bankers act as financial consultants on the restructuring of company debt and, in some cases, company operations. We have achieved worthwhile results — and we look for continued progress.

The Bank continues to be very much involved in the management and restructuring of sovereign loans. The difficulties facing developing countries, in particular, are likely to present serious problems for borrowers and lenders alike for some years to come.

On this score, I want to emphasize that the world outlook *is* improving. There are very few wide-eyed optimists around in international finance these days. Yet there was a distinctly improved atmosphere at the annual meeting of the International Monetary Fund in Washington last fall, compared with the Toronto meeting in 1982. During the past 15 months, the close co-operation of the commercial banks, borrowing and lending governments, and the multilateral agencies such as the IMF and the World Bank, has made what was a very fragile situation, *manageable*.

This encouraging commitment to the stability of international financial flows is one that the Royal Bank shares. It is critical, we believe, for the revival of world trade and world economic growth. Canada's own recovery is no exception to the rule. We cannot expect the Canadian economy to keep thawing out, if the rest of the world freezes over.

What all this adds up to — beyond a doubt — is that the past 18 months have been the most difficult period any of us have seen during our banking careers. We are coming through it — by dint of hard work and because of improving conditions. But, despite what you may have read in the newspapers, it would be premature to break out the champagne. The real extent of current problems isn't visible in current operating results because of the five-year averaging system that Canadian banks are obliged to use for loan losses — and which is unique to Canada.

I will come back to this later. First, I want to focus on the very real achievements of the Royal's staff through these very difficult times.

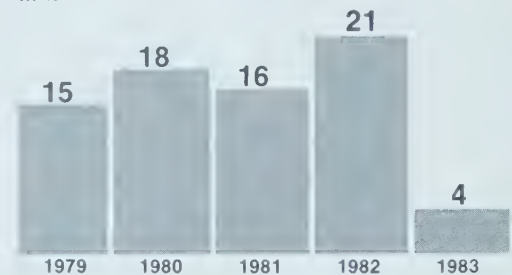
The Response of Staff

Anything I can say in tribute to the calibre of the Royal's people isn't going to be high enough praise for what they did this past year. Our industry has taken a great deal of criticism — some of it neither constructive nor accurate, to say the least. And a lot of it came straight across the counter at people giving

everything they could to their jobs and their active roles in their local communities.

I've already touched on the dedication of staff working on the credit problems of hard-pressed clients. And that includes every area of our business, from international markets to our leading role in lending to Canadian farmers. In addition, all of the Royal's people — close to 39,000 in Canada and in 47 countries around the world — made exceptional efforts to increase our productivity. But none surpassed the staff in Royal Bank branches across Canada.

Growth in Non-Interest Expenses
In %



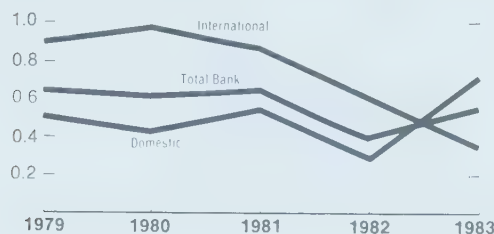
At every level, branch staff pitched in to get the job done without adding to overtime hours or staff complement, unless the volume of business demanded it. Under this kind of pressure, they still delivered our best service and a complex array of products. They gave us significant advances in our market share of both personal lending and personal deposit business. They wrote a record 29 percent of all new residential mortgages taken out with the chartered banks last year. To pick out just one more example of their professional services — our staff made sure that the cost-savings of the federal government's Small Business Investment Grant benefited more business-owners banking with the Royal than with any other bank in Canada.

One of the most satisfying results of the efforts by all our staff was the dramatic reduction in the growth rate of our non-interest expenses last year. These overhead costs were going up at a rate of close to 21 percent in 1982. In 1983, the growth rate was down to only 4 percent. And we achieved this while continuing to increase our investments in such areas as the training and development of our employees, and electronic banking — both of which are priorities for our long-term productivity.

Strength in Diversity

The record on non-interest expenses was a key factor in the substantial improvement in our bottom line this past year. Our return on assets — a key measure of banking profitability — moved up 15 basis points to 0.55 percent.

Return on Assets
% of Average Assets



This means that for every \$100 in assets, the Royal earned an average of 55 cents. So, with a net income of \$480 million for fiscal 1983, we managed to recover the ground lost in the very poor year of 1982.

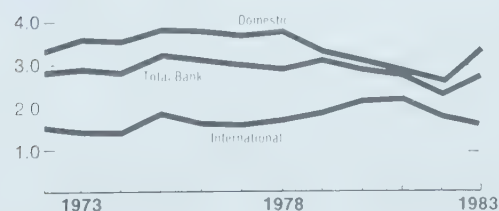
A fundamental reason for the Bank's ongoing strength is diversification. We are diversified in our lending, in our geographic locations and in our markets — from mortgages to merchant banking, syndicated loans to savings accounts.

Net Income
\$ Millions



I am sure many of you will remember from our last Annual Meeting that, in 1982 when Domestic earnings were severely depressed, the Royal's International division made a major contribution to total Bank earnings.

Net Interest Margin
% of Average Assets



This year, we found most of the eggs in the *other* basket.

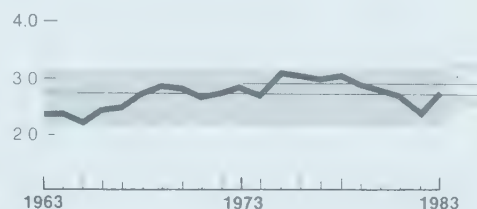
The strong 1983 performance of the Domestic bank was assisted by lower

and stable interest rates — benefiting borrowers *and* their bankers. The major factor was spread. The total Bank spread — the overall difference between what we pay on deposits and what we earn on loans and other assets — had been severely squeezed in a time of high interest rates. Now it has largely recovered.

In 1983, the two ways we did best in improving our spread were in the return on our fixed-rate lending and in a more favourable mix of deposits. As you may recall, there was a considerable period in which the overall yield of our mortgage and personal term loan portfolio was outstripped by the overall cost of the deposits we were using to fund it. With declining and stable interest rates, this has now turned into a positive spread.

As well, 1983 saw the Domestic bank relying much less on high-cost money market and term deposit funds. So, our deposit mix became relatively less costly.

Net Interest Margin—20-Year History
In %



As a result, our Domestic spread — that is, essentially, the spread on our business in Canada — recovered from its 12-year low of 2.67 percent in 1982, to a healthier 3.41 percent. But it is worth noting that this is nowhere near the levels of the 1973-78 period. For example, the figure was 3.84 percent in 1975 and 3.82 percent in both 1976 and 1978. *No records were broken* in the spread on Domestic business in 1983.

A similar point applies to the levels of our *overall*, total Bank spread in 1983. While it improved significantly, no records were broken there either. As this point is not well understood, I'd like to illustrate.

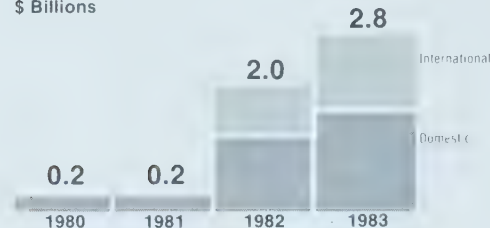
The Bank's overall spread has not changed much in 20 years. As you can see, the highest spread was back in 1975 at 3.16 percent; and the 1982 figure of 2.37 percent was lower than any year except 1965.

At 2.80 percent in fiscal 1983, our total Bank spread was very near to the 20-

year average and well *below* the average of the past 10 years — even though the increase from the low level of 1982 was both welcome and necessary.

The increase in *this* item — non-performing loans — is most definitely *not* welcome. It signals the difficulties of our

Non-Performing Loans
\$ Billions



customers, and is undeniably a continuing drag on the progress of the Bank.

As mentioned earlier, the problems were by no means restricted to the International side of the Royal's operations. They are not all sovereign-risk loans — the Mexicos and the Polands. In fact, we have very *few* non-performing sovereign loans. Neither are the loans all in one business sector; and they are not all *big* loans. For that matter, very few are.

In spite of the upsurge in the North American economy in 1983, there was a substantial *increase* in non-performing loans and loan losses in the United States, as well as in the Latin American countries hardest hit by the recession. Many of the problems and actual losses now being experienced in the United States are similar to those we have in Western Canada.

Loan Loss Experience
\$ Millions



In North America, the majority of *losses* have been concentrated in the forestry sector, the oil service industry and in real estate — all of which are areas with good long-term growth potential in a recovering economy. Indeed, we are already seeing the loan loss situation stabilize here in Canada.

What we call actual loan losses — or, more correctly, loan loss experience — represents the change in specific

provisions for loan losses, plus net write-offs. Domestic loan loss experience has come down by \$76 million in 1983.

Internationally, we can realistically expect signs of a turnaround, as the global economy follows North America's lead into recovery.

The Role of Profits

In the meantime, when it is difficult for our clients, it is difficult for us. As this point keeps getting lost in discussions of banking industry profits, I would like to go through the arithmetic to explain the facts of the case.

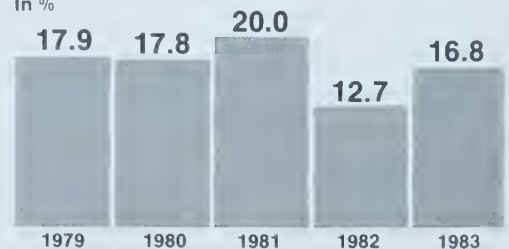
Take the example of a \$100 loan. If everything goes well, we collect the principal and earn a net return of 55 cents at the end of one year. But if the customer cannot repay a \$100 loan and we have to write it off — what does that cost the Bank? At our present rate of return on assets — 55 cents on \$100 — we have to find \$18,182 in new assets, and keep them productive for one year, before we can earn back that \$100 loan *loss*!

This underlines a number of things of importance. First, it reminds us how important is the practice of setting aside prudent provisions for loan losses.

Second, it reminds us with some force that it is only common sense to continue to help our customers survive through hard times. As their bankers, it is our business — and very much in our business interest — to support their return to health and profitability.

Finally, it reminds us that, for us to be able to do that job, the *necessary condition* is the Bank's *own* profitability.

Return on Equity
In %



No matter how difficult the conditions, our ability to give our shareholders a competitive rate of return on their investment is also how we earn our operating capital — just like any other public company. Our earnings determine the health of our organization; its ability to serve customers and the community; and the job security, quality of opportunity and working life that we can offer some 39,000

employees as well.

For all these reasons, I am very pleased to be reporting on the great strides we made in 1983. But for the very same reasons, it is plain fact that we cannot be satisfied with our present level of profitability.

A few minutes ago I mentioned the five-year averaging system we are obliged to use for loan losses. Under Canadian banking regulations, the way in which the banks are *directed* to treat their loan loss experience when reporting profits tends to distort their reported profit figure in comparison with other industries in Canada. Instead of writing off the loan loss experience figure as expense in the year in which it occurs, the banks *must* charge losses against income based on a five-year averaging formula. Any difference between this average figure and the actual loan loss experience must be treated as an adjustment — currently a charge — directly against capital funds.

Under this system, earnings can be *overstated* in a year such as 1983, when loan losses were on the rise. On the other hand, earnings can be *understated* in periods when loan losses are declining.

Net Income

\$ Millions	1983	1982
Net income as reported	\$ 480	\$ 358
*Less: loan losses not charged to income, net of taxes	(161)	(168)
Adjusted net income	\$ 319	\$ 190

*Charged directly to capital

Thus, if the entire loan loss experience were charged directly against income (as is the case with U.S. banks), the Royal's net income for 1983 would be reduced from \$480 million to \$319 million.

Return on Assets

In %	1983	1982
Return on assets as reported	.55 %	.40 %
*Less: loan losses not charged to income, net of taxes	(.19)	(.19)
Adjusted return on assets	.36 %	.21 %

*Charged directly to capital

1983 return on assets would be reduced from 0.55 percent to 0.36 percent.

Return on equity would come down from 16.8 percent to 11 percent for 1983.

Return on Equity

In %	1983	1982
Return on equity as reported	16.8 %	12.7 %
*Less: loan losses not charged to income, net of taxes	(5.8)	(6.5)

Adjusted return on equity **11.0 %** **6.1 %**

*Charged directly to capital

If one is discussing bank profits in a broad perspective, it is important to point out the fact that — when adjustment is made for the full amount of the loan losses — reported results and profitability measures are much more modest. This is particularly significant for comparisons with other Canadian industries.

Clearly also, we have much to do before we can afford to be satisfied with the level of profitability, whether expressed as net income, return on assets, or return on equity.

On the other side of the coin, however, there is no doubt whatsoever that the Royal Bank can withstand these years of pressure on our earnings and our resources, for some very good reasons. First, we have a very large and stable capital base which continues to grow.

Bank capital amounted to a very healthy \$4.4 billion at the end of the fiscal

Capital Funds

\$ Billions



year — an increase of \$414 million during the year. As our assets declined modestly while capital funds grew strongly, our key leverage or capital ratios strengthened considerably, to quite acceptable levels.

The second reason for confidence is, of course, the record of solid performance achieved by this Bank over more than a century — through growth and recession periods. The strength of any organization lies in its people; and by that measure I believe the Royal truly has a significant edge.

Ladies and Gentlemen, the management and staff of your Bank are working today to build sound foundations for a second century of solid growth.



Minutes of the 115th Annual Meeting of the Shareholders

The 115th Annual Meeting of the Shareholders of The Royal Bank of Canada was held at the Head Office of the Bank in Montreal on Thursday, January 12, 1984 at 11:00 a.m. As designated by the directors, the Chairman of the Board, Mr. Rowland C. Frazee, acted as Chairman of the meeting and the Secretary of the Bank, Mr. R.J. Moores, acted as Secretary of the meeting. The Chairman declared that as notice of the meeting had been duly given and a quorum was present, the meeting was properly convened. The Chairman advised that the languages of the meeting were English and French. He then explained the voting procedure to be followed and appointed Messrs. Antoine Y. Lamarre and Gordon Taylor to act as Scrutineers.

The Chairman stated that a copy of the minutes of the last Annual Meeting of Shareholders of the Bank held on January 13, 1983 had been sent to each shareholder as required by the Bank Act and unless there was any discussion they would be taken as read and adopted. Accordingly, the minutes of the last Meeting of Shareholders were adopted.

The Chairman referred to the Annual Statement as at October 31, 1983, copies of which had been distributed to shareholders, and to the Directors' Report, and called upon the Secretary to read the Directors' and Auditors' Reports.

Directors' Report

To the Shareholders,
The Royal Bank of Canada

The directors of The Royal Bank of Canada have pleasure in submitting to the shareholders the one hundred and fourteenth annual Directors' Report as well as the Annual Statement for the financial year ended October 31, 1983, which includes the Consolidated Statement of Assets and Liabilities of the Bank, and the Consolidated Statements of Income, Appropriations for Contingencies and changes in Shareholders' Equity for the year then ended and the Auditors' Reports with respect to those statements.

In accordance with the usual practice, the assets of the Bank have been

carefully valued and provision made for all bad and doubtful debts.

During the year, 7 branches were opened and 38 were closed in Canada; and 3 were opened and 4 were closed outside Canada. The total number of branches in operation on October 31, 1983 was 1,536 of which 1,456 were in Canada and 80 were in other countries; in addition the Bank owns more than 10% of the voting shares in 103 subsidiaries and affiliates throughout the world.

The directors extend to all members of the staff, both in Canada and abroad, an expression of sincere appreciation for their contribution to the success of the Bank during the past year.

Respectfully submitted

Rowland C. Frazee
Chairman and
Chief Executive Officer

Montreal, January 12, 1984

The Auditors' Report was then read by the Secretary (this report appears on page 56 in the Annual Report).

The Chairman then said:

"Before dealing further with these reports, I should like to make some comments.

I would like to place on record the appointment of three directors since the last Meeting of Shareholders. Mr. Charles H. Knight, Regina, on February 1, 1983, Mr. J. William Mingo, Halifax, on April 5, 1983, and Mr. Allan R. Taylor on June 7, 1983.

At the last Annual Meeting, I announced the impending retirement of Mr. Jock K. Finlayson. On June 1, Mr. Taylor succeeded Mr. Finlayson as President, and he also assumed the additional role of Chief Operating Officer.

On behalf of the shareholders I would like to thank Mr. Finlayson for his contribution to the Bank throughout his 44-year career. Fortunately, we will continue to benefit from his counsel as a director of the Bank.

It is with regret we advise that three directors will not be standing for re-election today. All are ineligible for re-election by reason of age. Donald S. Anderson of Toronto is a former senior officer of this Bank and was an active member of the staff for 43 years. Don joined the Board in June 1964 and although he retired from active Bank service in 1973, he has retained his lively interest in our affairs as a director.

Mr. Fred C. Mannix of Calgary is one of Canada's most distinguished businessmen. He joined our Board in January 1965. In 1979, he was one of the first group of six Canadians elected to Junior Achievement's Canadian Business Leaders Hall of Fame.

Both Don Anderson and Fred Mannix served the Board of this Bank for almost twenty years and I would like to express our sincere thanks for their dedication and contribution to our affairs during the period in which they served as directors.

The third director not standing for re-election is Senator Ian D. Sinclair, who joined the Board in May 1967, and on January 10, 1974 was appointed a Vice-President of the Board. Senator Sinclair has made an outstanding contribution to the Bank and its shareholders in both of these roles. Not only was he an active

participant in all Board and Committee meetings, he was always available and willing to meet with management to discuss matters of importance to the Bank. His wise counsel will be sorely missed. However, we are delighted he has been summoned to the Senate where he will no doubt continue to make his impact on Canadian affairs, probably including banking.

I also want to recognize a special group here with us today. As many of you know, it has been our usual, if not invariable custom, to invite a number of employees and their spouses, from other than Head Office, to join us for the Annual Meeting. They represent branch and departmental offices, in Royal Bank locations around the world, from Beirut to Buenos Aires, and in communities across Canada. They also represent thousands of their fellow employees in those offices, and I would ask them to stand and be recognized as a group."

The Chairman continued: "Now, Ladies and Gentlemen, I wish to address the issue of Canada's prospects for prosperity — our economy in 1984". (The text of Mr. Frazee's address will be found on page 1 of these proceedings.)

The Chairman then called upon Mr. Allan R. Taylor, President and Chief Operating Officer, to address the meeting. (A fuller report on the year's operations by Mr. Taylor is presented on pages 4 to 28 of the Annual Report.)

The Chairman then declared the meeting open for the nomination of directors.

Mr. Arthur Earle nominated the following persons to be directors of the Bank:

John Anderson, John A. Armstrong, Ian A. Barclay, T.J. Bell, M.C., C.D., LL.D., G.H. Blumenauer, G. Allan Burton, D.S.O., E.D., LL.D., R.B. Cameron, O.C., D.S.O., Frank B. Common, Jr., Q.C., Camille A. Dagenais, Mrs. Mitzi S. Dobrin, Sir Alastair Down, O.B.E., M.C., T.D., G. Campbell Eaton, O.C., M.C., C.D., LL.D., Jock K. Finlayson, Rowland C. Frazee, W.D.H. Gardiner, D.R. Getty, Charles H. Knight, Walter F. Light, Tong Louie, P.L.P. Macdonnell, C.M., Q.C., J.D. MacIennan, Clifford S. Malone, J. Pierre Maurer, John R. McCaig, D.K. McIvor, Mrs. Dawn R. McKeag, W. Earle McLaughlin, J.W.E. Mingo, Q.C., Pierre A. Nadeau, Paul Paré, Neil F. Phillips, Q.C.,

Herbert C. Pinder, Claude Pratte, Q.C., L. Merrill Rasmussen, Charles I. Rathgeb, A.M. Runciman, Allan R. Taylor, Peter N. Thomson, John A. Tory, Q.C., W.O. Twaits, C.C., R.A. Utting, W.P. Wilder, C.N. Woodward and H.E. Wyatt.

Mr. R.T. Riley seconded the nominations.

The Chairman said: "Each of the persons nominated is prepared to serve as a director and has filed a statement that he qualifies under the provisions of the Bank Act. As a group, these nominees meet the requirements for the composition of a board of directors of a bank under the Bank Act."

The Chairman then asked if there were any further nominations.

It was moved by Mr. E. Wall and seconded by Mr. K.S. Howard:

THAT the nominations be closed and that each of the persons nominated be elected a director of the Bank.

The Chairman stated that the motion was open for discussion. There being no discussion, the Chairman put the motion to the meeting. A ballot was taken and, upon receiving the Scrutineers' Report of the balloting, the Chairman declared the motion duly carried and the slate of names, as proposed, duly elected directors of the Bank.

It was moved by Mr. Mel Dobrin and seconded by Mr. D. Quinn:

THAT Touche Ross & Co. and Price Waterhouse be and they are hereby appointed auditors of the Bank until the next ensuing Annual Meeting of the Shareholders.

The Chairman stated that the motion was open for discussion. There being no discussion, the Chairman put the motion to the meeting. A ballot was taken and, upon receiving the Scrutineers' Report of the balloting, the Chairman declared the motion duly carried.

It was moved by Mr. J.H. Dinsmore and seconded by Mr. G.F. Lengvari, Jr.:

THAT the remuneration of the auditors covering their appointment until the next ensuing Annual Meeting of Shareholders be fixed at a sum not to exceed \$520,000 to be divided among them.

The Chairman stated that the motion was open for discussion. There being no discussion, the Chairman put the motion to the meeting. A ballot was taken

and, upon receiving the Scrutineers' Report of balloting, the Chairman declared the motion duly carried.

Mrs. Dawn R. McKeag expressed the thanks of the shareholders to the executive officers and staff of the Bank for the efficient manner in which they have performed their respective duties.

Miss Marie Lacroix replied on behalf of the staff and Mr. W.D. Henry on behalf of the officers.

The Chairman then made the following remarks:

"Before going on to the Other Business item on our agenda, there are a couple of matters on which I would like to comment briefly.

The first is one which has been raised with me by some shareholders. It is the question of the wisdom and equity of the Bank making low-interest-rate loans available to directors and senior officers, as disclosed in the Proxy Circular, mailed with the Notice of this meeting.

I comment because it seems clear to me that some important misunderstandings have arisen.

The only directors entitled to reduced rate loans are directors who are current or retired employees — officers of the Bank. Outside directors are not entitled to these privileges — the Bank Act, in fact, specifically prohibits them.

The second point of clarification is that loans at less than market rates are available to employees at every level in the Bank, from teller to Chairman — and for all employees with five years' employment or more, the rates are the same. The vast majority of staff loans go to our clerical, junior and middle management staff — not to senior officers.

We make these reduced-rate loans available to employees as part of our overall compensation and benefit program, just as companies in many other industries give discounts to employees on their products or services.

These loans are analogous to the travel privileges given to airline or railway employees, or merchandise discounts for employees of retail stores.

In the Royal Bank, there are three main uses of staff loans. First, there are loans for housing assistance in the case of Bank-initiated transfers — these are necessary to allow for the employee mobility the Bank needs.

Second, there are staff loans with established maximum amounts for general consumer purposes.

Third, there are loans for the purchase of Royal Bank shares. We don't have stock-option or share-purchase plans for employees, but we do consider it good for the motivation and performance of our employees if they have an ownership stake in our business.

The final point I would like to make about our reduced-rate loans is that the real benefit to employees is — I guess I have to say *unfortunately* (!) — much less than it appears. This is because, under current income tax rules, the difference between interest actually paid and a government-set presumed market rate is considered a taxable benefit, just as if it were additional salary. So the employee pays tax at his or her marginal rate on the benefit so created; and the actual cost to our employees of these loans is much higher than it appears.

I hope you find this information of interest, and agree with us as to the value to the Bank of this feature of its employee benefit program.

The second matter on which I wish to comment has to do with what has been called the secrecy of the ballot box — this is, the way in which shareholders of this Bank can be assured that members of the Board, and the management of the Bank, will not know how any individual shareholder voted on any question dealt with in these proceedings unless, of course, the shareholder *wishes* us to know.

I do not know whether today's meeting will hear an intervention from any organized interest group, such as the Task Force on the Churches and Corporate Responsibility. We have for many years made it a policy and a practice to meet on a continuing basis with representatives of such groups, thus attempting to maintain an ongoing, constructive and open dialogue on matters of mutual concern. As part of this process we happened to have a meeting some weeks ago with representatives of the Task Force, and one of the matters they enquired about was this question of ballot secrecy.

The concern, of course, is that if ballot secrecy is lacking, shareholders might be reluctant to express their views by way of a vote against a management position. It is felt that this might be the case — actually or even potentially —

especially in the case of shareholders who are borrowing clients, or who are employees.

Now, the fact is that we in senior Royal Bank management have never examined proxy votes, nor ballots cast in this meeting. They are counted and tabulated by the transfer agents, and then examined and verified by the Scrutineers of the meeting.

The only proxies we in management examine are those directed to us by the transfer agent, where the shareholder has added a written note to us — thus expressing a clear intention that we do see and examine the signed proxy. So we do observe the secrecy principle, in practice if not in formal policy.

I am prepared to indicate now that we intend to consider our past practice as our future policy. That is, our policy is that proxies, ballots and voting tabulations which identify individual shareholders shall be handled in such a manner as to preserve the confidentiality of individual shareholder votes, except (a) where the shareholder clearly intends to communicate his or her individual position to management, and (b) as necessary to meet the requirements of applicable law.

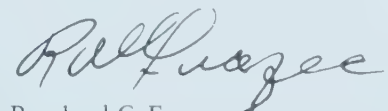
I believe this is an accurate and practical expression of policy which is entirely consistent with the wishes of shareholders and the Bank's long-standing commitment to proper protection of confidentiality."

Mr. William Davis, Senior Financial Officer, United Church of Canada, commended the Bank for adopting a policy to preserve ballot secrecy and also expressed appreciation to management for the spirit of cooperation which they have displayed in discussions with the Church groups.

There being no further business to transact, the Chairman declared the meeting terminated.



R.J. Moores
Vice-President and Secretary



Rowland C. Frazee
Chairman and Chief Executive Officer





THE ROYAL BANK OF CANADA

NOTICE OF
THE ANNUAL MEETING
OF COMMON SHARE HOLDERS
AND
MANAGEMENT PROXY CIRCULAR



THE ROYAL BANK OF CANADA

NOTICE OF THE ANNUAL MEETING OF COMMON SHARE HOLDERS

NOTICE IS HEREBY GIVEN THAT the Annual Meeting of Common Share Holders of The Royal Bank of Canada will be held at the Head Office of the Bank, 1 Place Ville Marie, Montreal, Quebec, Canada on Thursday, the 10th day of January 1985 at 11 o'clock in the forenoon for the following purposes:

- (1) to receive the Report of the Directors and the financial Statements of the Bank for the year ended October 31, 1984, and the Auditors' Report thereon,
- (2) to elect Directors,
- (3) to appoint Auditors,
- (4) to fix the Auditors' remuneration,
- (5) to transact such other business as may properly be brought before the meeting.

Montreal, December 4, 1984

BY ORDER OF THE BOARD

R.J. MOORES

Vice-President and Secretary

IMPORTANT

Shareholders who are unable to be present at the meeting are requested to sign and return the enclosed Form of Proxy in the envelope provided for that purpose. Proxies must be received at the Montreal office of the Transfer Agent at least 48 hours prior to the meeting.

MANAGEMENT PROXY CIRCULAR
(as of November 5, 1984)

Solicitation of Proxies

THIS MANAGEMENT PROXY CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION BY THE MANAGEMENT OF THE ROYAL BANK OF CANADA (THE "BANK") OF PROXIES FOR USE AT THE ANNUAL MEETING OF THE COMMON SHARE HOLDERS OF THE BANK TO BE HELD ON THE 10TH DAY OF JANUARY 1985 AT THE PLACE AND FOR THE PURPOSES SET FORTH IN THE NOTICE OF MEETING ACCOMPANYING THIS MANAGEMENT PROXY CIRCULAR. The cost of solicitation will be borne by the Bank. The solicitation will be primarily by mail. However, the Directors, officers and regular employees of the Bank may also solicit proxies by telephone, telegram or in person.

Voting Shares and Principal Holders Thereof

On November 5, 1984, the Bank had outstanding 92,873,254 Common Shares. Subject to the provisions of the Bank Act, Shareholders as at December 3, 1984 are entitled to one vote for each such share held. Shareholders who acquire their shares subsequent to December 3, 1984 may acquire voting rights provided they request the Bank not later than 10 days before the meeting to add their name to the voters' list.

To the knowledge of the Directors and Officers of the Bank, no Shareholder was the beneficial owner of record on November 5, 1984 of more than 10% of the outstanding common shares of the Bank.

Voting Restrictions

Under the provisions of the Bank Act, the voting rights pertaining to a share of the capital stock of the Bank may not be exercised if

- (a) the Shareholder is a resident of Canada who holds the share in the right of, or for the use or benefit of, a non-resident;
- (b) the Shareholder holds the share in the name or right of, or for the use or benefit of, the government of Canada or of a province, or an agent thereof (including an official, trustee or corporation administering, managing or investing a fund established to provide compensation, hospitalization, medical care, annuity, pension or similar benefits to particular classes of individuals, or moneys derived from such a fund), or the government of a foreign state or political subdivision, or an agent thereof;
- (c) the share is held in the name or right of, or for the use or benefit of, a person and the total number of shares held by or for that person, or that person and other persons deemed to be associated with him, exceeds 10% of the outstanding shares of the Bank; (a holder of 5,000 shares or less is assumed not to be associated with any other Shareholder); or
- (d) the share is held by or on behalf of a guarantee fund or pension fund to which a bank or a Quebec savings bank is a contributor.

In certain cases, voting rights may be exercised notwithstanding the restrictions referred to above.

The foregoing is a summary only. A copy of the relevant sections of the Bank Act will be forwarded to any Shareholder upon request made to the Secretary of the Bank at the Bank's Head Office.

Appointments and Revocation of Proxies

The persons named in the enclosed Form of Proxy are Directors and Officers of the Bank. SHAREHOLDERS DESIRING TO APPOINT SOME OTHER PERSON TO REPRESENT THEM AT THE MEETING MAY DO SO (see Note 3 on the Form of Proxy), either by inserting such person's name in the blank space provided in the Form of Proxy and deleting the names printed thereon or by completing another proper Form of Proxy and, in either case, delivering the completed Proxy to the Transfer Agent of the Bank at least 48 hours prior to the meeting.

A Shareholder who signs and returns the enclosed Form of Proxy may revoke it at any time before it is acted upon by depositing written notification at the Head Office of the Bank not later than the last business day preceding the day of the meeting or with the Chairman of the meeting on the day of the meeting or an adjournment thereof.

Voting Secrecy

Proxies are counted and tabulated by the Bank's Transfer Agent in such a manner as to preserve the confidentiality of individual shareholder votes, except (a) where the shareholder clearly intends to communicate his or her individual position to management, and (b) as necessary to meet the requirements of applicable law.

Exercise of Discretion by Proxy

The shares represented by any Proxy in the form enclosed herewith and appointing the persons designated thereon or any of them to represent the Shareholder at the meeting will be voted in accordance with the specifications given by the Shareholder. IN THE ABSENCE OF ANY CONTRARY INSTRUCTION, THE SHARES REPRESENTED BY PROXIES RECEIVED BY MANAGEMENT WILL BE VOTED ON ANY BALLOT WHICH MAY BE HELD "FOR" THE ELECTION OF THE MANAGEMENT NOMINEES FOR DIRECTORS, "FOR" THE APPOINTMENT OF THE AUDITORS NAMED HEREIN, "FOR" THE FIXING OF THE REMUNERATION OF SUCH AUDITORS, AND "FOR" THE MANAGEMENT PROPOSALS GENERALLY.

The enclosed Form of Proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting. As at the date hereof, Management is not aware that any other matter is to be presented for action at the meeting. If, however, other matters properly come before the meeting, the persons designated in the enclosed Form of Proxy will vote thereon in accordance with their judgement pursuant to the discretionary authority conferred by the Proxy with respect to such matters.

A simple majority of the votes cast at a meeting, whether by Proxy or otherwise, will constitute approval of any matter submitted to a vote at the meeting.

Election of Directors

The Board consists of a minimum of 20 and a maximum of 50 Directors, who are required to be elected annually. The persons named on the enclosed Form of Proxy intend to vote for the election of the nominees whose names are set forth below and who are now Directors. Each Director will be elected to hold office until the next Annual Meeting of Shareholders or until such office is earlier vacated.

The Board of Directors does not have an executive committee. DIRECTORS WHO ARE MEMBERS OF THE AUDIT COMMITTEE ARE SO DESIGNATED. The undernoted table sets forth the names of the persons proposed to be nominated for election as Directors together with their principal occupation, the year in which they became Directors of the Bank and the number of shares beneficially owned, directly or indirectly, or over which control or direction is exercised as of the date hereof.

Additionally, as required by the Bank Act, set out below is a summary of the record of attendance by Directors at Board, Regional and Director Committee meetings during the 12 months ended October 31, 1984. During this period, 13 Board meetings were held: Montreal (7), Toronto (4), Saint John, N.B. (1), Vancouver (1). Committees of the Board held meetings as follows: Audit (7), Loan Policy (23), Nominating (3), Personnel & Compensation (4), Public Policy (3). Regional Director Committees held meetings as follows: Atlantic (25), Quebec (12), Ontario (12), Manitoba (12), Saskatchewan (9), Alberta (12), British Columbia (12), New York (12), Latin America and Caribbean (6), London, England (10).

Name & Principal Occupation	Address	Director Since	Shares of the Bank Beneficially Owned*		No. of Meetings Attended	
			Common	Pref'd	Board	Committees
Robin W. Adam Chairman MEPC plc (Property Development & Management) (Jan/75-Dec/83 — Managing Director/ Deputy Chairman, British Petroleum Co. plc. Jan/84 — Chairman, MEPC plc)	London, England	April 3, 1984	—	—	4	4
John Anderson President & Chief Executive Officer Westcoast Transmission Co. Ltd. (Integrated petroleum company)	Vancouver, B.C.	Dec. 7, 1982	1,000	—	11	13
John A. Armstrong Company Director	Toronto, Ontario	June 26, 1974	2,824	—	12	13
Ian A. Barclay Vice-Chairman British Columbia Forest Products Ltd. (Mfrs. Pulp, Paper & Wood Products) (Member Audit Committee)	Vancouver, B.C.	April 3, 1973	6,526	—	11	18
G.H. Blumenauer Chairman of the Board Otis Canada Inc. (Mfrs. of elevators) (Member Audit Committee)	Hamilton, Ontario	Dec. 2, 1969	6,190	—	13	16
G. Allan Burton, D.S.O., E.D., LL.D. Company Director	Toronto, Ontario	Oct. 20, 1964	15,310	—	12	12
Robert W. Campbell Chairman & Chief Executive Officer Canadian Pacific Enterprises Limited (Oil & gas, mining & forest products) (June/71-May/82 — Chairman & Chief Executive Officer, PanCanadian Petroleum Ltd. May/82 Chairman & Chief Executive Officer, Canadian Pacific Enterprises Ltd.)	Calgary, Alberta	March 6, 1984	100	—	7	2
Frank B. Common, Jr., Q.C. Counsel Ogilvy, Renault (Barristers & solicitors) (Director, Royal Bank Realty Inc. — RoyLease Ltd.)	Montreal, Quebec	March 19, 1974	6,186	—	13	33

Name & Principal Occupation	Address	Director Since	Shares of the Bank Beneficially Owned*		No. of Meetings Attended	
			Common	Pref'd	Board	Committees
Camille A. Dagenais, C.C., LL.D. Chairman The SNC Group (Engineers & constructors)	Montreal, Quebec	April 11, 1978	7,240	—	12	11
Mrs. Mitzi S. Dobrin Executive Vice-President, Legal & Corporate Affairs Steinberg Inc. (Retail supermarkets)	Montreal, Quebec	Nov. 30, 1976	9,139	—	13	13
G. Campbell Eaton, O.C. M.C., C.D., LL.D. Managing Director Newfoundland Tractor & Equipment Co., Ltd. (Sales of tractors & mechanical equipment)	St. John's, Newfoundland	Sept. 9, 1976	3,225	500 (1st "B") 250 (CSW)	13	20
John R. Evans, C.C., M.D. Chairman & Chief Executive Officer Allelix Inc. (Biotechnology) (1978-79 Professor of Medicine, University of Toronto, 1979-83 Director, Population Health & Nutrition Dept., World Bank. 1983 Chairman & Chief Executive Officer, Allelix Inc.	Mississauga, Ontario	March 6, 1984	1,500	—	8	6
Jock K. Finlayson Chairman Royal Insurance Company of Canada (Insurance)	Toronto, Ontario	April 7, 1970	4,823	750 (1st "B") 375 (CSW)	11	7
Rowland C. Frazee Chairman and Chief Executive Officer The Royal Bank of Canada (Chairman & Director, Royal Bank Realty Inc.; President & Director, Canadian Realty Corp. Ltd.)	Montreal, Quebec	Feb. 28, 1973	6,813	—	13	38
W.D.H. Gardiner President W.D.H.G. Financial Associates Ltd. (Consultants)	Vancouver, B.C.	Feb. 28, 1973	6,186	—	10	10
D.R. Getty President D. Getty Investments Ltd. (Holding company)	Edmonton, Alta.	Feb. 27, 1980	1,630	2,000 (1st "B") 4,500 (CSW)	11	11
Charles H. Knight Chief Executive Officer Denro Holdings Ltd. (Land Development)	Regina, Sask.	Feb. 1 1983	1,000	500 (CSW)	9	8
Walter F. Light Chairman Northern Telecom Limited (Mfrs. of telephone equipment, wire & cable)	Mississauga, Ontario	July 11, 1978	5,000	500 (2nd Pfd)	11	12
P.L.P. Macdonnell, C.M., Q.C. Partner Milner & Steer (Barristers & solicitors)	Edmonton, Alta.	June 4, 1968	8,404	900 (2nd Pfd)	10	25

Name & Principal Occupation	Address	Director Since	Shares of the Bank Beneficially Owned*		No. of Meetings Attended	
			Common	Pref'd	Board	Committees
Clifford S. Malone President and Chief Executive Officer Wabasso Inc. (Clothing and Textiles)	Toronto, Ontario	May 20, 1975	5,000	—	13	34
J. Pierre Maurer Executive Vice-President Metropolitan Life Insurance Company (Life insurance company)	New York, N.Y.	April 23, 1975	6,503	—	13	16
D.K. McIvor Chairman & Chief Executive Officer Imperial Oil Ltd. (Integrated Petroleum Co.) (Member Audit Committee)	Toronto, Ontario	Dec. 7, 1982	225	—	10	12
Mrs. Dawn R. McKeag President Walford Investments Ltd. (Holding company)	Winnipeg, Man.	Mar. 1, 1978	6,000	200 (1st "B") 100 (CSW)	12	15
W. Earle McLaughlin Former Chairman of the Board The Royal Bank of Canada	Montreal, Quebec	Dec. 19, 1960	10,450	—	13	14
J. William E. Mingo, Q.C. Barrister Stewart MacKeen & Covert (Barristers & solicitors)	Halifax, N.S.	April 5, 1983	4,500	—	12	26
Pierre A. Nadeau Chairman of the Board Tioxide Canada Inc. (Chemicals) (Director, Royal bank Realty Inc., RoyLease Ltd.)	Montreal, Quebec	Oct. 2, 1973	8,001	—	10	13
J. Edward Newall Chairman, President and Chief Executive Officer Du Pont Canada Inc. (Chemicals) (Held this position during the past 5 years)	Mississauga, Ontario	Sept. 5, 1984	352	—	3	2
Paul Paré Chairman & Chief Executive Officer Imasco Limited (Holding company)	Montreal, Quebec	Nov. 10, 1970	1,263	—	11	4
Ralph A. Pfeiffer, Jr. Chairman & Chief Executive Officer IBM World Trade Americas/Far East Corporation, Senior Vice-President, International Business Machines Corporation (Technology) (Held this position during the past 5 years)	North Tarrytown, N.Y.	June 12, 1984	300	—	1	2

Name & Principal Occupation	Address	Director Since	Shares of the Bank Beneficially Owned*		No. of Meetings Attended	
			Common	Pref'd	Board	Committees
Neil F. Phillips, Q.C. Partner Phillips & Vineberg (Barristers & solicitors) (Member Audit Committee)	Montreal, Quebec	Feb. 1, 1972	2,587	12,250 (2nd Pfd)	12	15
Herbert C. Pinder President Saskatoon Trading Company Limited (Property holding company) (Member Audit Committee)	Saskatoon, Sask.	June 5, 1970	7,690	—	11	11
Claude Pratte, Q.C. Partner Stein, Monast, Pratte & Marseille (Barristers & solicitors)	Quebec, Quebec	May 9, 1967	6,186	—	12	12
Charles I. Rathgeb Chairman Comstock International Ltd. (Construction & mechanical equipment)	Toronto, Ontario	Dec. 1, 1970	24,750	—	11	12
Allan R. Taylor President & Chief Operating Officer The Royal Bank of Canada	Toronto, Ontario	June 7, 1983	2,500	—	13	41
P.N. Thomson Chairman & President West Indies Power Corp. Ltd. (Utility company) (Director — Royal Bank of Canada International Ltd., RoyCan International Banking Ltd., Royal Bank of Canada Bahamas Ltd.)	New Providence, Bahamas	Jan. 9, 1964	7,061	—	13	36
John A. Tory, Q.C. President The Thomson Corporation Limited (Publishing and holding company)	Toronto, Ontario	Mar. 10 1971	15,316	—	12	14
W.O. Twaits, C.C. Company Director Vice President — The Royal Bank of Canada	Toronto, Ontario	Jan. 12, 1961	6,180	—	10	24
R.A. Utting Vice-Chairman The Royal Bank of Canada (Vice-President & Director, Canadian Realty Corp. Ltd., Royal Bank Realty Inc.; Chairman & Director, RoyLease Ltd., Royal Bank Mortgage Corp.; Director, RoyNat Ltd., RoyNat Guarantee Corp.)	Montreal, Quebec	May 29, 1980	14,252	18,000 (CSW)	13	36
W.P. Wilder Chairman The Consumers Gas Company Ltd. (Gas utility)	Toronto, Ontario	Sept. 9, 1980	20,000	—	12	10
C.N. Woodward Chairman of the Board and Chief Executive Officer Woodward Stores Limited (Holding company)	Vancouver, B.C.	Jan. 12 1961	500	—	11	22

Name & Principal Occupation	Address	Director Since	Shares of the Bank Beneficially Owned*		No. of Meetings Attended	
			Common	Pref'd	Board	Committees
H.E. Wyatt Vice-Chairman The Royal Bank of Canada	Calgary, Alta.	Mar. 21, 1978	4,491	250 (1st 'A')	10	16

*Includes shares over which control or direction is exercised by the person named even in those cases when beneficial ownership of some or all of the shares is disclaimed.

Directors during fiscal 1984 who are not standing for re-election on January 10, 1985 attended meetings as follows:

T.J. Bell, M.C., C.D., LL.D.	Board (11)	Committee (10)
R.B. Cameron, O.C., D.S.O. (Member Audit Committee)	Board (3)	Committee (8)
Sir Alastair Down, O.B.E., M.C., T.D.	Board (7)	Committee (12)
Tong Louie	Board (13)	Committee (13)
J.D. MacLennan	Board (10)	Committee (30)
John R. McCaig	Board (10)	Committee (10)
L. Merrill Rasmussen	Board (11)	Committee (10)
A.M. Runciman	Board (12)	Committee (16)

Directors' and Officers' Remuneration

During the fiscal year ended October 31, 1984, the aggregate remuneration paid by the Bank and subsidiaries to its Directors and Senior Officers was as shown in the table below:

	Directors' Fees	Salaries	Bonuses	Other (Note 1)	Total
Remuneration of Directors					
A) No. of Directors: 49					
B) Corporation incurring the expense					
The Royal Bank of Canada	\$846,265				\$ 846,265
Royal Bank & Trust Co.	US 2,100				US 2,100
RoyCan International Banking Ltd.	US 1,000				US 1,000
Royal Bank of Canada Int'l Ltd.	US 3,600				US 3,600
RBC Bahamas Ltd.	US 1,000				US 1,000
Royal Bank Realty Inc.	9,500				9,500
RoyLease Ltd.	6,000				6,000
Remuneration of Officers					
(Officers receiving over \$75,000)					
A) No. of Officers: 167					
B) Corporation incurring the expense					
The Royal Bank of Canada	52,500	\$15,135,579	\$3,395,121	\$3,135,982	\$21,719,182
Totals	\$ US 7,700 \$ CAN 914,265	15,135,579	3,395,121	3,135,982	7,700 22,580,947

Note 1 — Includes the Bank's contribution to its general pension plan for the benefit of reporting officers; benefits under the Executive Auto Leasing Program; benefits resulting from low interest rate loans largely consisting of housing loans resulting from Bank initiated officer transfers; and benefits other than salaries and bonuses to officers on assignments at overseas locations. There were no non-accountable expense allowances.

Future Benefits

Thirty-six senior officers currently are voluntary participants in a newly-introduced Long Term Performance & Investment Plan whereunder the Bank makes loans to eligible officers in amounts determined by the Personnel and Compensation Committee of the Board of Directors, which amounts are used exclusively to purchase common shares of the Bank at then applicable market prices. These loans are subject to reduction by the amounts of performance awards to be made to participants after three years on targets determined at the beginning of the three year performance period based on the three year compound growth in the book value of common shares and the Bank's return on equity in the third year of the performance period. In the event of death of the participant, the balance owing on the loan to the deceased, if any, after disposition of the purchased shares and application of the proceeds of such disposition to the loan will be forgiven. In the event of retirement, the balance, if any, of any loan outstanding at the end of the last performance period in which the retirement occurs, after application of any performance award and the proceeds from the disposition of the shares, will be forgiven. The loans to participants under the current Plan aggregate \$543,221. Since this is the first year of the Plan, it is impossible to estimate the amounts of performance awards, if any, to be made in 1986.

A Phantom Plan corresponding in its terms to the Long Term Performance & Investment Plan is in place for the Officer Directors. Loans are not made and shares are not purchased but at the end of each 3 year performance period calculation would be made, as if the loan had been made, the shares purchased and disposed of at the end of each performance period with the same effects as under the Plan. Performance awards will likewise only be determined in 1986.

Incentive bonuses based on individual performances and the general financial performance of the Bank in relation to various pre-determined targets in each fiscal year are paid in the month of December following the end of the fiscal year. The aggregate of these incentive bonuses (\$2,476,353) received by the current reporting officers for the period ended October 31, 1983 is included in the Table.

Indebtedness of Directors/Officers Directors

Except as stated hereunder, none of the Bank's Directors, or proposed nominees for election as Directors, were indebted to the Bank or any of its subsidiaries during the year ended October 31, 1984 other than for such loans as are excluded from reporting by the Form of Proxy regulations under the Bank Act and the

Quebec Securities Act. The undernoted are also senior officers or former senior officers of the Bank and as such received loans to assist in the acquisition of housing or Bank shares or for personal requirements.

Name & Address	Max. Indebtedness Year Ended October 31, 1984	Balance O/S November 5, 1984	Interest Rate
J.K. Finlayson, Montreal	\$ 35,930	\$ 33,451	3%
R.C. Frazee, Montreal	97,422	74,000	3%
W.D.H. Gardiner, Vancouver	31,350	19,750	3%
A.R. Taylor, Toronto	81,344	64,207	3%
R.A. Utting, Montreal	310,652	110,082	3% & 6%
H.E. Wyatt, Calgary	47,858	33,195	3%

Officers

The Bank's benefit programs permit employees and officers to borrow from the Bank at varying special staff interest rates for purchases of or improvements to residential properties, investments in shares of the Bank, purchases of durable consumer goods or for like purposes. Loans which are not within the definition of routine indebtedness set out in the proxy regulations under the Securities Act (Quebec) because they either were not fully secured on the ordinary residence of the officer or being fully secured were in excess of the annual salary of such officer amounted to an aggregate of \$8,578,597 as at November 5, 1984.

Housing loans, almost exclusively related to Bank initiated transfers, are amortized over 20 or 25 years and bear interest between 0% and 6% depending on whether made before or after June 1984 and whether or not outstanding for more than 3 years. There is an additional \$543,221 in interest free loans to purchase common shares of the Bank pursuant to the provisions of the Bank's recently introduced Long Term Performance & Investment Plan more fully described above under the caption "Future Benefits".

Name & Address	Max. Indebtedness Year Ended October 31, 1984	Balance O/S November 5, 1984	Name & Address	Max. Indebtedness Year Ended October 31, 1984	Balance O/S November 5, 1984
N.C. Achen, Toronto	\$ 148,537	\$ 143,533	W.A.R. MacDonald, Montreal	\$ 176,373	\$ 168,522
G.C. Aitken, Toronto	179,107	173,877	I.A. MacKay, New York	US150,000	US148,500
M.C.S. Baptista, Toronto	194,947	189,774	J.K. MacKay, Montreal	87,361	84,155
D.M. Baxter, Calgary	120,803	116,782	W.C.C. Mackay, London, Engl.	11,497	11,497
J.G. Bisailon, Montreal	100,000	98,134	W.J. MacKay, Montreal	10,683	10,683
T.W. Bleackley, Vancouver	65,149	62,741	J.G. Macpherson, Vancouver	160,015	155,406
A.A. Bowbyes, Toronto	147,900	147,639	B.C. Marshall, Toronto	125,089	121,235
M.A. Brennan, Montreal	120,814	118,489	R.A. Masleck, Toronto	158,000	157,051
H.G. Buckrell, Halifax	157,781	153,151	A.A. McArthur, Houston,		
W.C. Bull, Montreal	11,278	11,278	Texas	US120,286	US115,270
J.T. Burnett, Toronto	120,000	119,715	W.J. McCartney, Calgary	163,642	157,679
A.M. Channell,			T.R. McDermid, Montreal	90,000	88,373
Coral Gables, Fla.	US169,150	US164,050	J.B. McDonald, Winnipeg	11,278	11,278
J.E. Cleghorn, Toronto	221,775	215,635	W.N. McFadyen, London, Engl. ..	US120,000	US117,600
W.B. Cockburn, Calgary	116,407	112,446		CAN11,842	CAN11,842
M.A. Corlett, Toronto	126,000	122,500	V.G. McKay, Hong Kong	10,275	10,275
D. D'Alessandro, Montreal	9,993	9,993	A.H. Michell, Montreal	45,989	45,989
W.R. Dinwoodie, Chicago, Ill.	US149,229	US146,016	S.A. Middaugh, Halifax	36,367	34,810
W.D. Dobson, Ottawa	93,186	90,405	W.T. Moodie, New York	US89,551	US86,635
B.W. Dorset, Calgary	139,684	135,408	R.J. Moores, Montreal	20,481	19,344
J. Driedger, Montreal	109,226	105,857	K.J. Morrison, Toronto	136,004	131,814
H.E. Elsie,			E.P. Neufeld, Montreal	32,210	31,443
Coral Gables, Fla.	US160,000	US159,200	W.J.H. Nimmo, Toronto	144,508	139,986
G.E. Farrow, Toronto	116,722	113,100	R.C. Paterson, Toronto	273,015	265,353
G.J. Feeney, Montreal	12,280	12,280	W.R. Penner, Toronto	132,865	128,749
V.T. Forster, New York	US136,340	US132,068	H.A. Philpott, Regina	106,297	102,843
J.M. Froese, Toronto	38,808	37,218	J.H. Prenger, Toronto	129,350	125,270
G.F. Gaffney, Vancouver	129,225	124,883	J.N.T. Rednall, Hong Kong	9,899	9,899
W.J. Gorman, Toronto	10,181	10,181	M.J. Regan, Montreal	37,374	37,374
W.J. Grace, Toronto	114,710	111,833	R.B. Robertson, Regina	10,181	10,181
J.C. Grant, Toronto	150,000	149,259	M.J. Ross, New York	US110,404	US106,912
B.M. Gray, Toronto	114,750	113,890	P.J. Rossiter, Toronto	160,275	159,657
B.D. Gregson, Montreal	23,402	23,402	J.C. Sinclair, Toronto	12,970	12,970
D.D.E. Grier, Toronto	133,700	130,799	K.A. Smee, Toronto	116,521	112,978
E.L. Grosland, Toronto	10,683	10,683	C.P. de Souza,		
J.A.R. Guay, Montreal	34,661	33,012	Coral Gables, Fla.	11,998	11,998
H.S. Hardy, Montreal	11,998	11,998	J.G. Stabback, Calgary	100,000	100,000
G.R. Heckman, Toronto	119,406	115,738	E.G. Stone, Montreal	123,847	120,009
J.E. Henry, Calgary	111,491	107,892	R.G.P. Styles, Toronto	265,734	257,142
W.D. Henry, Toronto	15,695	15,695	A. de Takacsy, London, Engl.	11,685	11,685
R.W. Hoke, Toronto	143,587	139,513	J.K. Talbot, Toronto	129,500	128,530
G.J. Johnson, New York	US225,012	US218,806	G.G. Tallman, Calgary	117,405	113,747
	CAN11,591	CAN11,591	P.A. Taylor, Toronto	9,899	9,899
R.M. Juneau, Toronto	126,075	125,445	J.A.W. Van Slyck, Toronto	110,522	106,450
B.V. Kelly, Toronto	255,765	248,572	K.A. von dem Hagen, Toronto	131,250	127,926
D.N. Kitchen, Calgary	122,785	118,739	J.M. Walker, New York	11,497	11,497
F.H.S. Lablans, Toronto	44,036	42,445	J.C. Walz, Toronto	35,333	33,429
J.M. Lejeune, Montreal	93,000	92,470	W.C. Watt, Regina	86,936	83,863
E.J. Lundy, Vancouver	148,750	147,185	K.G. Wilson, Montreal	89,295	86,131

Interest of Insiders in Material Transactions

Since the commencement of the Bank's last completed financial year, the Bank has not entered into any transaction with any present, contemplated or proposed director or with any proposed management nominee for election as a director or with

any officer or any associate of or any corporation controlled by any such director or officer, nor does it propose to enter into any such transaction that has materially affected or will materially affect the Bank or any of its subsidiaries.

Legal Proceedings

The following two lawsuits against the Bank may be considered to be material:

An Action was instituted against the Bank in Los Angeles, California in September 1983 claiming US \$5.4 million general damages and US \$205 million for loss of profits. The essential allegations are that the Bank aborted the acquisition, enlargement and redevelopment of a downtown commercial property by refusing to advance the US \$17 million balance of a US \$20 million financing commitment. The Bank officers involved in the transaction deny any such commitment. Examinations of Plaintiff's representatives are now underway to see if there is any real claim against the Bank and to quantify it. On the basis of information now available to the Bank, it is considered very doubtful that this grossly inflated claim against the Bank will succeed.

In October 1983, an action was lodged in the US Federal Court of Northern West Virginia against the Bank and 31 co-defendants consisting of the trustee and members of the creditors' committee of a corporate bankrupt and the agents and employees of the trustee and the creditors' committee. The Bank is a member of the creditors' committee. The unrelated corporate and the two individual Plaintiffs allege defamation and injury to commercial standing by the co-defendants in an over-zealous pursuit of assets and receivables of the bankrupt corporation and claim damages of US \$280 million. On the basis of information provided by knowledgeable Bank employees, it would appear that as a matter of law there is no liability on the part of the Bank and that in any event the damages claimed are grossly exaggerated. The action has been transferred to the courts in Denver, Colorado and the Bank's counsel there reports recent indications that Plaintiff may drop the case as against the Bank.

Directors and Officers Liability Insurance

The Bank has purchased at its expense group liability insurance in the amount of \$50,000,000.00 for its protection and for the protection of its Directors and Officers against liability incurred by them in their capacities as Directors and Officers of the Bank. During fiscal 1984, in respect of policy year from December 28, 1983 to December 28, 1984, the Bank paid a premium of \$45,716 of which \$2,286 was in respect to the Directors as a group and \$2,286 in respect of the Officers as a group. In any case in which the Bank is not permitted by law to reimburse the Director or Officer, the deductible is \$5,000 per person with an aggregate of \$10,000 per claim. Where the Bank is permitted to reimburse the Director or Officer, the deductible is \$200,000.

Appointment of Auditors

The firms and/or members thereof of Deloitte, Haskins & Sells, Touche Ross & Co. and Price Waterhouse have held appointments on a rotating basis as required by the Bank Act as auditors of the Bank during the five financial years ended October 31, 1984. The persons named in the enclosed Form of Proxy intend to vote for the re-appointment of Touch^eRoss & Co. and Price Waterhouse as Auditors of the Bank until the Annual Meeting of Shareholders to be held in 1986 and to fix their remuneration at a sum not to exceed \$540,000 to be divided among them.

Directors' Approval

The Board of Directors of the Bank have approved the content and sending of this Management Proxy Circular.



R.J. Moores
Vice-President and Secretary

